

**Statement of Representative Ed Royce**  
**Chairman, Subcommittee on International Terrorism and Nonproliferation**  
**"Terrorist Threats to Energy Security"**  
**July 27, 2005**

The possibility of energy terrorism --attacks on the world's energy infrastructure-- doesn't generate the same attention as potential chemical, biological and nuclear terrorism. But the economic implications of such attacks are potentially enormous. Many believe that a "terror premium" is now factored into the price of a barrel of oil, which is nearly \$60. Some suggest that oil terrorism is emerging as a major threat to the global economy. Combating this threat should be part of our complex goal of improving our nation's energy security.

Because of U.S. energy demands, and the global nature of energy markets, terrorists can strike at us most anywhere in the world. Oil markets are tight, with little spare capacity today, and demand is increasing. As we'll hear today, there's strong evidence that a relatively small disruption to oil production throughout the world could spike world energy prices, severely harming the American economy. We've taken steps to improve the security of the energy infrastructure in the U.S. since 9/11. But unfortunately terrorist attacks abroad could hurt us as if they were committed here at home.

Al-Qaeda and others seem to be thinking this way. Al-Qaeda documents call for "hitting wells and pipelines that will scare foreign companies from working there and stealing Muslim treasures." Last February, a message posted on an al-Qaeda-affiliated website, entitled "Map of Future al-Qaeda Operations," stated that terrorists would make it a priority to attack Middle East oil facilities.

The vulnerability of Saudi Arabia to energy terrorism is a particular concern. By far, Saudi Arabia is the world's most important oil producing country, being the largest exporter and the only country with significant excess production capacity. Saudi intelligence reportedly disrupted an attack against the Ras Tanura refinery --the largest in the world-- in 2002. Over the last few years, there have been several deadly attacks on western oil workers, including Americans. These attacks disrupted oil markets and drove up insurance premiums. It's worth noting that some Saudis support these terrorist attacks by their financial support for Wahhabism abroad.

Pipelines, which carry one-half of the world's oil and most of its natural gas, are generally built above ground, making them common targets for terrorists and insurgents. Pipelines have been attacked in Chechnya, Turkey, Nigeria, Columbia and elsewhere, costing local governments billions of dollars. In Iraq, pipeline attacks have been pervasive. It's estimated that pipeline sabotage has cost Iraq more than \$10 billion in oil revenues, despite the high priority coalition forces have put on pipeline protection. There is concern that the insurgents who have been attacking Iraqi pipelines having gained a measure of expertise, which will be transferred elsewhere.

Global shipping chokepoints are vulnerabilities in the world's energy system. The Strait of Malacca is one of the world's busiest sea lanes, through which half the world's oil supplies and two-thirds of its liquefied natural gas transit to energy-dependent Northeast Asia. The narrow and shallow Straits have a long history of piracy, and today well-established terrorist groups operate in the region, including Jemaah Islamiya. Some believe several troubling scenarios are possible, including a terrorist hijacking of an oil or LNG tanker, to be turned it into a floating bomb to be detonated in a busy seaport.

These issues are just one part of the complex issue of energy security. An important task in setting policy is gauging the likelihood of a potential terrorist threat materializing and assessing its likely impact. Only with that information on the table can priorities be established. It's my hope that today we can answer some questions in this regard, and begin to look at the adequacy of policies designed to address terrorist threats abroad to our energy security.